



INFORMATION SHEET

Serving the People of California

INTEREST ON REFUNDS

The Employment Development Department (EDD) follows interest requirements set forth under Section 1181 of the California Unemployment Insurance Code (CUIC) and Section 19521 of the Revenue and Taxation Code (R&TC).

Interest is paid based on decisions of Administrative Law Judges and the California Unemployment Insurance Appeals Board. Interest may also be allowed under Section 1181 CUIC if an employer overpaid contributions because of reliance on an incorrect Department notice, provided the overpayment was not made intentionally or by reason of negligence on the part of the employer.

The interest rate is established by the Franchise Tax Board based on the average prime rate as determined by the Board of Governors of the Federal Reserve System. The following information is provided to explain how EDD's semiannual interest rate is determined.

R&TC Section 19521 states that the adjustment annual rate shall be determined in accordance with Section 6621 of the Internal Revenue Code (IRC), except that the overpayment rate in Section 6621(a)(1) IRC shall be modified to be equal to the underpayment rate specified in Section 6621(a)(2) IRC. The IRC definition of the underpayment rate is the Federal short-term rate plus three percentage points. R&TC Section 19521 also states that the determination of the Federal short-term rate as specified in Section 6621(b) IRC shall be modified to be determined semiannually as follows:

- (A) The rate for January shall apply during the following July through December, and
- (B) The rate for July shall apply during the following January through June.

The established interest rate applies to interest paid, under Section 1181 CUIC, on refunds and credits issued by the Department. Interest payable is computed at the adjusted rates shown on the following schedule as simple interest.

DATES	INTEREST RATE	DAILY INTEREST FORMULA
01/01/90 to 06/30/90	11%	0.0003014
07/01/90 to 12/31/90	11%	0.0003014
01/01/91 to 06/30/91	11%	0.0003014
07/01/91 to 12/31/91	10%	0.0002740
01/01/92 to 06/30/92	10%	0.0002730
07/01/92 to 12/31/92	9%	0.0002466
01/01/93 to 06/30/93	8%	0.0002192
07/01/93 to 12/31/93	7%	0.0001918
01/01/94 to 06/30/94	7%	0.0001918
07/01/94 to 12/31/94	7%	0.0001918
01/01/95 to 06/30/95	8%	0.0002192
07/01/95 to 12/31/95	9%	0.0002466
01/01/96 to 06/30/96	9%	0.0002459
07/01/96 to 12/31/96	9%	0.0002459

CUIC Section 1181 provides that if funds are available for the payment of interest, interest shall be allowed on amounts applied to **contributions only** from the date of overpayment to the date of allowance of the refund or credit. Interest is not payable on that part of any payment applied to penalties and interest due.

Equal Opportunity Employer/Program. Auxiliary services and assistance available to persons with disabilities. TDD Users, contact the California Relay Service: 1-800-735-2929.